

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 TRSE-00 /088 W

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FM AMEMBASSY TEHRAN

TO AMEMBASSY ABU DHABI

INFO SECSTATE WASHDC 6623

C O N F I D E N T I A L TEHRAN 4074

E.(. 11652: GDS

TAGS: ENRG, IR, TC

SUBJECT: NIOC/JOINT VENTURE RELATIONS

REFS: A) ABU DHABI 1029 (NOTAL), B) ABU DHABI 870(NOTAL)

1. REGRET DELAY IN REPLYING TO REFTELS, WHICH REQUESTED INFORMATION ON CURRENT STATUS OF NIOC "NEGOTIATIONS" WITH JOINT VENTURE OIL PRODUCERS HERE. (NIOC DOES NOT CONSIDER TALKS WITH JOINT VENTURE PARTNERS TO BE NEGOTIATIONS, BUT RATHER A PROCESS TO ASSIST NIOC TO MAKE ITS DECISION ABOUT THEIR FUTURE.) FACT IS, THERE IS ESSENTIALLY NOTHING TO REPORT. LAST FALL NIOC MET WITH EACH GROUP (FOREIGN PARTNERS IN IPAC, SIRIP, LAPCO AND IMINOCO). FOREIGN PARTNERS AT THAT TIME MADE PRESENTATIONS COVERING ENTIRE PAST AND FUTURE OF AGREEMENTS, IN ORDER TO SHOW NIOC WHAT PER BARREL MARGIN WOULD BE NECESSARY TO GIVE VARIOUS SPECIFIED DCF RATES OF RETURN.

2. EARLY THIS YEAR, NIOC AGAIN TALKED TO EACH OF ITS FOREIGN PARTNERS AND MADE THEM OFFERS OF NEW FISCAL ARRANGEMENTS. DETAILS OF COURSE ARE PROPRIETARY; AMEMBASSY ABU DHABI MAY TELL JAFAR
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OF CRESENT PETROLEUM THAT FOREIGN COMPANIES FOUND NIOC OFFERS

TOTALLY UNVIABLE. SINCE THAT TIME, SOME OF THE FOREIGN COMPANIES HAVE MADE COUNTEROFFERS, WHICH NIOC HAS IN EFFECT REFUSED TO ACKNOWLEDGE. MOST RECENTLY LAPCO PARTNERS AGAIN MET WITH NIOC IN WHAT APPEARS TO HAVE BEEN A CONFRONTATION OF TWO STONE WALLS.

3. NIOC BEGAN TODAY ANOTHER ROUND OF MEETINGS WITH THE CONSORTIUM MEMBERS, WHICH MAY PROVE SHORT OR LONG, BUT IN ANY CASE (SAME OLD GAME)ES UNLIKELY TO END IN A NEW AGREEMENT UNTIL LAST I'S ARE DOTTED AND T'S CROSSED IN NEW SAG/ARAMCO AGREEMENT. WE ARE INCLINED TO DOUBT THAT NIOC WILL IN MEANTIME CONCLUDE ANY NEW AGREEMENT WITH JOINT VENTURE PARTNERS (THOUGH NIOC CLAIMS THIS IS NOT RPT NOT THE CASE).

4. MEANWHILE MOST JOINT VENTURE PARTNERS CONTINUE PAYING 16.67 PERCENT ROYALTIES AND 65.75 PERCENT TAX, BASED ON PRE-ABU DHABI FORMULA POSTED PRICES, WHILE THEIR PARENT COMPANIES PILE UP ACCOUNTING RESERVES AGAINST POSSIBLE FUTURE GOI RETRO-ACTIVE CLAIMS ON ABU DHABI FORMULA BASIS. ONLY EXCEPTION WE KNOW OF IS AGIP IN SIRIP. SIRIP IS UNIQUE STRUCTURE-A PROFIT-MAKING JOINT VENTURE PRODUCER, WHICH APPARENTLY CANNOT AVOID PAYING TAXES DEMANDED BY GOI.
HELMS

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